

# BUDGET LETTER

<b>SUBJECT:</b> 2015-16 PRICE LETTER	<b>NUMBER:</b> BL 14-22
<b>REFERENCES:</b> BUDGET LETTERS 14-05 AND 14-12 GOVERNMENT CODE SECTIONS 11019.10 AND 13308.05	<b>DATE ISSUED:</b> September 5, 2014  <b>SUPERSEDES:</b> BL 13-22

TO: Agency Secretaries  
Department Directors  
Departmental Budget and Accounting Officers  
Department of Finance Budget and Accounting Staff

FROM: DEPARTMENT OF FINANCE

Section 13308.05 of the Government Code provides that the workload budget includes an adjustment for price increases in the budget year. Chapter 12 of the 2009-10 Fourth Extraordinary Session adds Section 11019.10 to the Government Code, specifying that "except as provided in the Budget Act and implementing statutes, no automatic increases shall be provided to the University of California, California State University, the state courts, or to state agency operations, including, but not limited to, annual price increases to state departments and agencies." Therefore, no baseline adjustments for price increases will be made.

Departments are expected to adjust their line item operating expense and equipment budgets to reflect the most realistic assessment of their own costs in 2015-16, using information provided in this Budget Letter and knowledge of their own contractual commitments and cost drivers. If the adjusted line item expenses cannot be funded with the total funding allowed, departments must make adjustments to their operations and expenditure plans to bring them in line with available funding. This may involve creating efficiencies, negotiating price reductions, or reducing activities and operations including changes in departmental program responsibilities and staffing. Departments are responsible for creating effective plans to do this while achieving the department's most important core missions and documenting the plans as part of the base budget development process. The price adjustment factors included in Attachment 1 are provided for departments' planning and detailed budget-building purposes only. The population projections on Attachment 2 are based on May Revision estimates; updated population data will be available by January 2015.

The Price Letter does not cover the price of goods and services that are included in the Department of General Services' (DGS) annual **Price Book and Directory of Services**, which is available from the Office of Fiscal Services' website at <http://www.dgs.ca.gov/ofs/Pricebook.aspx>. The Price Book and Directory of Services reflecting the rates for the current year and proposed rates for the budget year will be posted by DGS on its website once available. If you have any questions regarding the Price Book, please contact DGS, Office of Fiscal Services, Budget and Planning Section, 707 3<sup>rd</sup> Street, West Sacramento, CA 95605, or call Justin Smith at (916) 376-5133.

/s/Kristin Shelton

Kristin Shelton  
Program Budget Manager

Attachment

PRICE LETTER STANDARDS  
2015-16

PRICE ADJUSTMENT FACTOR SUMMARY  
(See following text for specific instructions)

UCM Code	Line-Item Object	2014-15	2015-16
<b>Personal Services</b>			
103103	OASDI	6.2% of wages. Ceiling of \$118,050 <sup>a</sup>	6.2% of wages. Ceiling of \$121,350 <sup>a</sup>
103137	Medicare	1.45% of wages. No ceiling.	1.45% of wages. No ceiling.
103105	Health Benefits-Public Employees	CalPERS average rates will increase by 3.66% on January 1, 2015.	
103107	Retirement-Public Employees	8.865% <sup>b</sup>	8.865% <sup>b</sup>
<b>Operating Expenses</b>			
		<b>2014-15<sup>c</sup></b>	<b>2015-16<sup>c</sup></b>
311223	Library Purchases		
	Monographs	5.2% <sup>d</sup>	4.2% <sup>d</sup>
	Subscriptions	4.4% <sup>d</sup>	3.8% <sup>d</sup>
313257	Telephone	e, g	g
314261	Postage	g	g
317292	In-State Travel Per Diem	f	f
324362	Electricity	g	g
324363	Natural Gas <sup>g</sup>	5.6%	0.5%
324364	Liquid Petroleum Gas <sup>g</sup>	-1.6%	-4.8%
325396	Attorney General Services		
	Attorney Services	g	g
	Paralegal Services	g	g

<sup>a</sup> The tax base for the calendar year 2014 is \$117,000. While official wage bases for the coming years were not finalized by the Social Security Administration at the time this letter was prepared, estimated wage bases of \$119,100 and \$123,600 are used for calendar years 2015 and 2016, respectively, for planning purposes. These numbers reflect a fiscal year equivalent of annual estimates.

<sup>b</sup> This is the average change for all plans. Instructions for this item will be provided in a subsequent Budget Letter.

<sup>c</sup> Percentage change over 2013-14 unless specified otherwise.

<sup>d</sup> Estimated annual percentage changes over the previous fiscal year.

<sup>e</sup> Budget at current rates.

<sup>f</sup> See the In-State Travel Per Diem section.

<sup>g</sup> See following text.

UCM Code	Line-Item Object	2014-15 <sup>c</sup>	2015-16 <sup>c</sup>
<b>Operating Expenses</b>			
328428	Data Center Services	<sup>g</sup>	<sup>g</sup>
333503	Clothing and Personal Supplies <sup>g</sup>	-0.1%	0.3%
333504	Medical Care <sup>g</sup>	2.8%	4.9%
333506	Foodstuffs <sup>g</sup>	3.4%	5.1%
333513	Laundry <sup>h</sup>		
	General Linen	\$0.425/lb.	<sup>g</sup>
	Personal Clothing	\$0.475/lb.	<sup>g</sup>
	Special Handling	\$0.525/lb.	<sup>g</sup>
	California Consumer Price Index - All Urban Consumers	2.3%	4.2%

## OPERATING EXPENSES

### TELEPHONE

The California Department of Technology (CalTech) provides a full range of telecommunications services at competitive rates through its CALNET 3 Master Service Agreement. Product descriptions and pricing information are available on the CALNET 3 website at <http://www.dts.ca.gov/std/calnet-III/calnetIII.asp>.

### POSTAGE

The latest postal rates, which went into effect on January 26, 2014, are available at most post office branches, as well as the United States Postal Service's own website at <http://www.usps.com/>.

Current major postage rates, effective since January 26, 2014, are as follows:

First-Class letter:	
1 oz.	49 cents
Postcard	34 cents
Priority Mail (Flat Rate Envelope):	\$5.60
Priority Mail Express (Flat Rate Envelope):	\$19.99

<sup>c</sup> Percentage change over 2013-14, unless specified otherwise.

<sup>g</sup> See following text.

<sup>h</sup> Prices do not include transportation charges, which are based on mileage. See following text for detail.

## IN-STATE TRAVEL PER DIEM

For 2014-15 and 2015-16, the reimbursement for lodging, meals and incidentals, and mileage for employees in bargaining units 1, 3, 4, 5, 6, 7, 8, 9, 11, 12, 14, 15, 16, 17, 18, 19, 20, 21, and all non-represented employees should be budgeted as follows:

### Short Term Lodging Rate

- **All counties/cities located in California** (except noted below):  
Actual lodging expense, *supported by a receipt*, up to **\$90/night**, plus tax.
- **Napa, Riverside, and Sacramento Counties**  
Actual lodging expense, *supported by a receipt*, up to **\$95/night**, plus tax.
- **Los Angeles, Orange, and Ventura Counties and Edwards AFB**, excluding the city of Santa Monica.  
Actual lodging expense, *supported by a receipt*, up to **\$120/night**, plus tax.
- **Alameda, Monterey, San Diego, San Mateo, Santa Clara Counties**<sup>i</sup>  
Actual lodging expense, *supported by a receipt*, up to **\$125/night**, plus tax.
- **San Francisco County and City of Santa Monica**  
Actual lodging expense, *supported by a receipt*, up to **\$150/night**, plus tax.

### Meals and Incidentals

- up to \$7.00 for breakfast
- up to \$11.00 for lunch
- up to \$23.00 for dinner
- up to \$5.00 for incidentals

### Mileage

56 cents per mile

For 2014-15 and 2015-16, the reimbursement for lodging, meals and incidentals, and mileage for employees in bargaining units 2, 10, and 13 should be budgeted as shown below as their tentative agreements have not been ratified by their membership as of the date of this Budget Letter. Upon ratification, reimbursement for these bargaining units should be budgeted using the rates above.

### Short Term Lodging Rate

- **All counties/cities located in California** (except noted below):  
Actual lodging expense, *supported by a receipt*, up to **\$84/night**, plus tax.
- **Los Angeles and San Diego Counties**  
Actual lodging expense, *supported by a receipt*, up to **\$110/night**, plus tax.
- **Alameda, San Francisco, Santa Clara, and San Mateo Counties**  
Actual lodging expense, *supported by a receipt*, up to **\$140/night**, plus tax.

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<sup>i</sup> Employees in Bargaining Unit 9 will be reimbursed for the actual lodging expense, supported by a receipt, up to \$140/night in Alameda, San Mateo, and Santa Clara counties.

### **Meals and Incidentals**

- up to \$6.00 for breakfast
- up to \$10.00 for lunch
- up to \$18.00 for dinner
- up to \$6.00 for incidentals

### **Mileage**

56 cents per mile

Actual rates are determined by collective bargaining agreements and may vary by bargaining unit. Departments are advised to use the above rates for budgeting purposes but should also monitor related notifications from the California Department of Human Resources for changes resulting from collective bargaining.

### **ELECTRICITY**

All the major electric utilities have several rate schedules, which are based upon the customer's maximum kilowatt demand and tend to increase costs to the customer as maximum demand increases. Departments should verify that they are being billed on the correct schedule and make every reasonable effort to reduce their maximum demand. The utilities are willing and able to offer advice in this area.

The overall electrical rates charged by major investor-owned and municipal utilities are expected to change over 2013-14 as follows:

	<b>2014-15</b>	<b>2015-16</b>
Pacific Gas & Electric Company	8.0%	12.0%
Southern California Edison	3.5%	7.5%
San Diego Gas and Electric Company	1.5%	4.5%
Los Angeles Dept. of Water & Power	0.0%	6.0%
Sacramento Municipal Utility District	0.0%	2.5%

### **NATURAL GAS**

Natural gas should be budgeted for 2014-15 and 2015-16 at 5.6 percent and 0.5 percent, respectively, above 2013-14 actual expenditures.

### **LIQUID PETROLEUM GAS**

Departments are advised to budget liquefied petroleum gas in 2014-15 and 2015-16 at 1.6 percent and 4.8 percent below 2013-14 actual expenditures, respectively. Departments should budget fuel oil at current market rates.

### **ATTORNEY GENERAL SERVICES**

State departments receiving legal services from the Department of Justice are advised to budget Attorney Services and Paralegal Services at \$170 per hour and \$120 per hour, respectively, for 2014-15. If rate changes are needed for 2015-16, departments will be notified of the change in a subsequent Budget Letter.

## **CALTECH SERVICES**

The California Department of Technology (CalTech) Services' Billing Rate Schedule can be found on the CalTech website at <http://www.servicecatalog.dts.ca.gov/services/rates.html>. In addition, the CalTech Financial Management Branch personnel are available to assist with cost estimates associated with Office of Technology Services costs. For more information, departments may contact Bill Liu (916) 431-5486 or [Bill.liu@state.ca.gov](mailto:Bill.liu@state.ca.gov). Note: Departments that have significant changes in data center utilization need to submit budget change proposals to address their needs.

As a result of Chapter 404, Statutes of 2010 (AB 2408), which became effective January 1, 2011, CalTech will no longer require an executed InterAgency Agreement (IAA) from state entities to process the direct transfer payment for services rendered (this also includes CALSTARS). All other invoicing processes will remain the same. Electronic invoices through CalTABS will be sent to departments 10 business days after the end of each billing period, and an electronic file to the State Controller's Office (SCO) for the direct transfer process will occur 1-3 business days following the release of the invoices. SCO will provide departmental accounting units with a journal entry upon completion of the direct transfer transaction. Departments electing to continue to process an IAA for the purpose of encumbering funds may do so by downloading CalTech's IAA template at its website, <http://www.otech.ca.gov/Customers/Service.asp>. For additional information regarding IAAs, departments may contact Mr. Darren Wilder at (916) 431-5089 or [Darren.wilder@state.ca.gov](mailto:Darren.wilder@state.ca.gov).

For departments that use CALSTARS running on CalTech's data processing systems, 2014-15 estimate amounts have been developed for the purpose of encumbering funds. For estimate amounts and additional information regarding CALSTARS billing, contact Anne Wong of Department of Finance at (916) 445-0211 Ext. 2842 or [Anne.Wong@dof.ca.gov](mailto:Anne.Wong@dof.ca.gov).

## **CLOTHING AND PERSONAL SUPPLIES**

Clothing and personal supplies should be budgeted for 2014-15 and 2015-16 at 0.1 percent below and 0.3 percent above 2013-14 actual expenditures, respectively.

## **MEDICAL CARE**

Departments should budget contract items at current prices. Budget the remaining items for 2014-15 and 2015-16 at 2.8 percent and 4.9 percent, respectively, above 2013-14 actual expenditures.

## **FOODSTUFFS**

Budget feeding costs for 2014-15 and 2016-16 at 3.4 percent and 5.1 percent, respectively, above 2013-14 actual expenditures.

## LAUNDRY

Laundry prices for departments served by state correctional institutions should be budgeted as follows:

<b>Service</b>	<b>2014-15</b>
General Linen	\$0.425/lb.
Personal Clothing	\$0.475/lb.
Special Handling	\$0.525/lb.

These prices do not include mileage-based transportation costs and stop fees, which are as follows:

Transportation rates: \$4.00 per mile (applies to round trip mileage).

Stop fees: \$55 for locations with one pick-up point; \$95 for locations with multiple pick-up points.

At the time this letter was prepared, the Prison Industry Authority did not have the estimated increases for 2015-16 available.

## CONSUMER PRICE INFLATION

The Economic Research Unit of Finance forecasts the California Consumer Price Index for all urban consumers (CPI-U) and several other price indexes in May and January. The most current California CPI-U forecast predicts that overall consumer prices will rise by 2.3 percent and 4.2 percent in 2014-15 and 2015-16, respectively, over 2013-14. However, departments are advised that while the CPI-U is believed to represent overall consumer prices, this index may be inappropriate for use in predicting the inflation trends for certain types of purchases. As an alternative, the US state and local government implicit deflator may be used. This index is estimated to increase by 2.2 percent in both 2014-15 and 2015-16. Furthermore, it is suggested that departments wishing to use CPIs to help forecast their expenditures contact the Economic Research Unit at (916) 322-2263 for the most recent available forecast.

## POPULATION

California's total population on July 1, 2014 is projected at 38,557,685—an increase of 353,088 over the number residing in the state on the same date last year. Civilian population on July 1, 2014, the essential figure for most budget computations, is 38,400,116. This represents a growth of 357,714 over the past 12 months. Current projections for mid-2015 place the total population at 38,920,210—an increase of approximately 0.94 percent since the preceding July 1. The total population as of July 1, 2016 is expected to be 39,289,970, of which 39,132,744 would be civilians. These data are summarized in Table 1.

Table 1. ESTIMATED POPULATION OF CALIFORNIA,  
2009-2016  
(in thousands)

1-Jul	Total Population	Civilian Population	One Year Change	
			Total	Civilian
2010	37,309	37,157	232	237
2011	37,570	37,411	261	254
2012	37,872	37,719	302	308
2013	38,205	38,042	332	323
2014	38,558	38,400	353	358
2015	38,920	38,761	363	361
2016	39,290	39,133	370	372

Table 2 shows the civilian population for the years 2010-2016 distributed by five-year age groups. This distribution is based upon the results of the April 1, 2010, decennial census, Department of Finance estimates, and the most recent Department of Finance projection series.

Table 2. ESTIMATES OF CALIFORNIA'S CIVILIAN POPULATION BY AGE (in thousands)							
Age in Years	7/1/2010	7/1/2011	7/1/2012	7/1/2013	7/1/2014	7/1/2015	7/1/2016
0-4	2,547	2,544	2,531	2,526	2,538	2,538	2,551
5-9	2,503	2,506	2,531	2,549	2,550	2,566	2,572
10-14	2,582	2,556	2,533	2,523	2,521	2,521	2,530
15-19	2,810	2,758	2,710	2,668	2,632	2,609	2,591
20-24	2,771	2,800	2,828	2,853	2,862	2,844	2,815
25-29	2,742	2,737	2,729	2,735	2,763	2,799	2,849
30-34	2,582	2,625	2,672	2,717	2,750	2,761	2,771
35-39	2,559	2,519	2,512	2,523	2,549	2,595	2,649
40-44	2,614	2,637	2,644	2,634	2,605	2,565	2,533
45-49	2,679	2,646	2,617	2,592	2,584	2,609	2,639
50-54	2,570	2,604	2,629	2,648	2,665	2,655	2,629
55-59	2,220	2,291	2,361	2,422	2,472	2,523	2,562
60-64	1,855	1,934	1,970	2,019	2,083	2,154	2,227
65+	4,275	4,413	4,605	4,796	4,984	5,181	5,372
Total	37,309	37,570	37,872	38,205	38,558	38,920	39,290